

GI 302 Model Solutions

March 2026

1. Learning Objectives:

2. The candidate will understand the development and structure of insurance regulations in the United States.

Learning Outcomes:

- (2b) Describe the historical development of general insurance regulations in the United States.

Sources:

Insurance Regulation, The Institutes

- Chapter 2 (Development of Insurance Regulation)

Commentary on Question:

This item assessed the candidate's knowledge of SEUA case and its effect on insurance regulation in the United States.

Solution:

- (a) Explain why regulators at the time found the existence of such associations to be in the public interest.

Commentary on Question:

The following solution is an example of a full credit solution.

Regulators believed that for insurers to develop and maintain adequate rates and avoid insolvency, the existence of insurer compacts and associations were necessary to collect data and publish industry loss costs to support rate adequacy.

- (b) Describe two such SEUA activities.

Commentary on Question:

There were more than two such activities. Only two were required for full credit. The following solution is an example of a full credit solution.

- Using boycott and other forms of coercion and intimidation to force non-SEUA members to comply with SEUA rules.
- Withdrawing agents' rights to represent SEUA members if the agents also represented non-SEUA companies

1. Continued

- (c) Describe the three main conclusions of the U.S. Supreme Court's decision.

Commentary on Question:

The following solution is an example of a full credit solution.

- Congress intended the Sherman Act to prohibit insurers' conduct restraining or monopolizing the interstate insurance trade.
- Insurance transactions that stretch across state lines constitute "commerce among the several states" and are subject to Congressional regulation under the Commerce Clause.
- No commercial enterprise of any kind that conducts its activities across state lines has been held to be wholly beyond the regulatory powers of Congress under the Commerce Clause. There will not be an exception for the business of insurance.

2. Learning Objectives:

2. The candidate will understand the development and structure of insurance regulations in the United States.

Learning Outcomes:

- (2a) Describe the functions of key regulatory bodies in the U.S. including the NAIC and SEC.
- (2b) Describe the historical development of general insurance regulations in the United States.
- (2c) Describe and interpret the current state of general insurance regulations in the United States.
- (2f) Describe the methods that U.S. regulators use to maintain the solvency of insurers.

Sources:

The U.S. National State-Based System of Insurance Regulation and the Solvency Modernization Initiative, NAIC White Paper

Insurance Regulation, The Institutes

- Chapter 11 (Solvency Regulation)
- Chapter 12 (Insolvency Regulation)

Commentary on Question:

This item assesses a candidate's understanding of a state insurance department's goals and activities for insurance regulation.

Solution:

- (a) Critique the following statement:

The U.S. insurance regulatory system's goal for solvency regulation should be to set capital requirements such that insurer insolvencies will not occur.

Commentary on Question:

The following solution is an example of a full credit solution.

The goal for solvency regulation is not to ensure that insolvencies do not occur as set required capital so high that it would severely restrict the number of insurers in the market. The goal for solvency regulation is to set required capital at a level that will minimize the frequency and severity of insurance company insolvencies.

2. Continued

- (b) In order to maintain effective regulation, the regulatory system must have the requisite authority. According to the *U.S. National State-Based System of Insurance Regulation and the Solvency Modernization Initiative*, the preconditions for this requisite authority are comprised of eight elements.

List four of these elements.

Commentary on Question:

The following solution is an example of a full credit solution.

- independence
 - accountability
 - adequate powers
 - financial resources
- (c) Explain the following with respect to placing an insurer under administrative supervision.
- (i) Purpose of this regulatory action
- (ii) Effect on the insurer's operations, including two specific examples

Commentary on Question:

There are many examples that could be provided for (ii). The following solution is an example of a full credit solution.

- (i) This action is necessary when informal supervision fails to correct an insurer's financial situation.
- (ii) The regulator may require the insurer to restrict or stop certain activities such as:
- Incurring debt
 - Accepting new premiums

3. Learning Objectives:

1. The candidate will understand the different types of general insurance products and coverages offered in the United States.

Learning Outcomes:

- (1f) Describe commercial general liability (CGL) insurance in terms of types of losses that can be covered.
- (1g) Describe the contents of the ISO CGL policies and the coverages they provide.

Sources:

General Insurance: U.S. Policies and Coverages, SOA Study Note, May 2025

Commentary on Question:

This item tested a candidate's understanding of the ISO CGL policy.

Solution:

- (a) Describe the coverages provided by the two parts in which the claimant is a third party.

Liability to a third party for:

1. Bodily injury and property damage.
2. Personal and advertising injury

- (b) Create, without changing the facts provided, a scenario under which the policy provided by ANT Insurance should pay the claim including an explanation as to why it should.

Commentary on Question:

This item required the candidate to keep the facts as provided. The key fact not provided, which determines the applicable policy, is the manner in which the claim is reported. The solution below is an example of a full credit solution.

- The electrician told their supervisor about the improper wiring after their work was completed.
- The supervisor immediately informed the XYZ owner./manager of the improper wiring. The XYZ owner made a note that they are to go back and fix the wiring, but they would not have the resources to fix it until the first week of August. No one from XYZ informed the homeowner.
- Under these circumstances, the incident of improper wiring that caused the fire is a known event to the ANT policyholder XYZ when the ANT policy was in force, so the ANT policy provides coverage.

3. Continued

- (c) Create, without changing the facts provided, a scenario under which the policy provided by BEE Insurance should pay the claim including an explanation as to why it should.

Commentary on Question:

This item required the candidate to keep the facts as provided. The key fact not provided, which determines the applicable policy, is the manner in which the claim is reported. The solution below is an example of a full credit solution.

- The electrician does not tell their supervisor or anyone else at XYZ that could tell a supervisor or the owner of XYZ about the improper wiring.
- The incident of improper wiring that caused the fire was an unknown event to policyholder XYZ during the ANT policy period.
- XYZ would then be provided liability coverage from the BEE policy because the fire occurred during the BEE policy period.

4. Learning Objectives:

3. The candidate will understand the different reporting standards for U.S. general insurance companies and use statutory financial statement information to measure insurer financial health.

Learning Outcomes:

- (3a) Demonstrate knowledge of U.S. GAAP, U.S. statutory accounting and U.S. tax accounting for general insurance companies.

Sources:

General Insurance Financial Reporting Topics, Society of Actuaries, 5th Edition, 2021

- Chapter 2 (Accounting for Insurance Contracts)

Commentary on Question:

This item tested a candidate's knowledge of the accounting for policyholder dividends in general insurance products.

Solution:

- (a) Some general insurance products pay dividends to policyholders.
 - (i) List two general insurance lines of business in the United States in which policyholders can receive dividends from an insurer.
 - (ii) Identify the formula for calculating an insurer's incurred policyholder dividends that are to be reported in the statutory annual financial statements.

Commentary on Question:

The solution below is an example of a full credit solution.

- (i)
 - Participating homeowners insurance policies from a mutual insurer
 - Participating workers compensation policies

- (ii)

Incurred dividends in the period =
+ paid dividends in the period
+ dividend reserves at period start
– dividend reserves at period end

4. Continued

- (b) Compare the recognition of policyholder dividend liability between year-end and the day dividends are declared under U.S. GAAP and U.S. Statutory Accounting Principles (SAP).

Commentary on Question:

The solution below is an example of a full credit solution.

Under US GAAP, the focus is on recognizing income when earned so GAAP estimates and accrues expected policyholder dividends at year-end. The actual dividend decision by the Board of Directors depends on events between year-end and the dividend declaration day.

Under SAP, the focus is on liquidation values. A financially troubled insurer will not declare dividends even if they were anticipated earlier – before the financial situation deteriorated. SAP assumes no policyholder dividend liability until dividends are actually declared by the board of directors. At that point a reserve is created.

5. Learning Objectives:

3. The candidate will understand the different reporting standards for U.S. general insurance companies and use statutory financial statement information to measure insurer financial health.

Learning Outcomes:

- (3a) Demonstrate knowledge of U.S. GAAP, U.S. statutory accounting and U.S. tax accounting for general insurance companies.
- (3b) Describe the elements of the NAIC Annual Statement.

Sources:

- General Insurance Financial Reporting Topics, Society of Actuaries, 5th Edition, 2021
- Chapter 5 (The Annual Statement, Nonadmitted Assets and Surplus)

Commentary on Question:

This item tested a candidate's knowledge of the admitting of certain assets under SAP.

Solution:

Describe the admitted/nonadmitted treatment of the following assets under U.S. Statutory Accounting Principles (SAP), and the rationale for that treatment, in the table below.

Note that in the table below, the first asset is shown as an example.

Asset	Treatment of Asset	Rationale for Treatment
<i>EDP and operating system software</i>	<i>Admitted, but the admitted amount is limited to 3% of surplus. Any amount excess of this is nonadmitted.</i>	<i>This asset cannot be used to pay claims but treating it as fully nonadmitted might discourage insurers from upgrading their systems. Upgrading systems should be encouraged.</i>
Deferred tax assets		
Material assets, not held as investments		
Reinsurance recoverables		
Investments in common stock		

5. Continued

Commentary on Question:

The solution below is an example of a full credit solution.

Asset	Treatment of Asset	Rationale for Treatment
Deferred tax assets	Partially admitted / nonadmitted, dependent on the financial strength of the insurer	They cannot pay claims if the insurer is financially distressed
Material assets, not held as investments	A. Not an asset for those that last less than a year B. A nonadmitted asset for those lasting > 1 year	A. Treated as an expense B. They are an asset that cannot pay claims.
Reinsurance recoverables	Fully admitted	Credit risk is taken care of by Schedule F provisions.
Investments in common stock	Fully admitted up to the greater of 25% total admitted assets or 100% of surplus. Excess amounts are nonadmitted.	This is an attempt to mitigate risk as equities are a risky class of investments.

6. Learning Objectives:

3. The candidate will understand the different reporting standards for U.S. general insurance companies and use statutory financial statement information to measure insurer financial health.
4. The candidate will be able to use applicable standards of practice to carry out the responsibilities of a U.S. signing general insurance actuary as defined by regulators and the American Academy of Actuaries

Learning Outcomes:

- (3a) Demonstrate knowledge of U.S. GAAP, U.S. statutory accounting and U.S. tax accounting for general insurance companies.
- (3b) Describe the elements of the NAIC Annual Statement.
- (3c) Complete and interpret NAIC Annual Statement pages/schedules (as referenced in the resources).
- (4a) Describe and apply the concept of materiality.
- (4c) Describe, interpret and apply the responsibilities of a signing actuary with respect to the U.S. Statement of Actuarial Opinion and the Actuarial Report.

Sources:

Materiality, Concepts on Professionalism, American Academy of Actuaries, Discussion Paper, 2006, No. 8

General Insurance Financial Reporting Topics, Society of Actuaries, 5th Edition, 2021

- Chapter 10 (Performance Measurement for General Insurers)
- Chapter 14 (The General Insurance Actuarial Opinion)

SOA Course GI 302 Case Study, March 2026

Commentary on Question:

This item tested a candidate's knowledge of materiality concepts and the broad differences between US GAAP and SAP. This item made use of information in the Case Study. The candidate's response was to be entered in Excel. Refer to the Excel solutions file for an example of a full credit solution. The solution for this item in this document is for informational purposes.

6. Continued

Solution:

- (a) Evaluate the differing materiality standards for R-Dan's statutory financial results as of year-end 2024.

Commentary on Question:

There are many different responses possible. The solution below is an example of a type of response that would earn full credit.

- Both the auditor and actuary select an appropriate standard of materiality using their professional judgment as to the magnitude of an omission, understatement or overstatement that could cause the user to reach a different conclusion. In practice, an auditor's selection of the materiality standard is usually greater than the actuaries as they also deal with premiums and invested assets which are much greater than net reserves and surplus.
 - Sue Calvin selected the minimum of (1) 7.5% of statutory surplus, (\$15.8M) and (2) 5% of net loss and loss adjustment expense reserves (\$14.5M), which is \$14.5M. This appears to be on the high side as the actuary's standard of material usually is in the range of 1% to 5% of statutory surplus
 - The auditor selected \$21M which happens to be 10% of statutory surplus. But \$21M also represents 2.2% of invested assets and 2.3% of DWP. This appears to be reasonable.
 - The only real area of concern is that Sue Calvin's explanation only cites percentages, which are high, and nothing to back up the reason that they are high.
- (b)
- (i) State the formula for approximating GAAP Equity when limited to only using the statutory annual statement pages provided in the Case Study.
 - (ii) State the assumptions underlying your formula in (i). Justify your assumptions.
 - (iii) Approximate R-Dan's GAAP Equity, using R-Dan's statutory annual statement as of December 31, 2024.

6. Continued

Commentary on Question:

The solution below is an example of a full credit solution. It is not the only acceptable answer.

For (ii), bad debts refer to reinsurance recoverables.

For (iii), a reasonable range for acquisition expenses for automobile insurance is 15% to 25%. Tax accounting assumes 20% of unearned premium reserve (UPR.) Using the Annual Statement, one can calculate acquisition expenses to be 10.7% of premium. Any of these could be the basis for the assumption of equity in UPR

(i)

Statutory surplus + nonadmitted assets – bad debts + equity in UPR

(ii)

- Bad Debts:

One must assume on the level of bad debts as this is not in the financial statements. However, Schedule F and information in the Actuarial Report include information that can be used to make a reasonable assumption.

- Equity in UPR:

One must assume on the level of equity in the unearned premium reserve to include for GAAP. This assumption can use a reasonable expense percent of premiums or use expense information in the Annual Statement to estimate the percent.

(iii)

Assumptions:

1. Bad debts: I assumed 0 for this as there is no Schedule F penalty.
2. Equity in UPR: I assumed 20% of the UPR to be consistent with tax accounting.

209,400 (AS Page 3)
+ 7,400 (AS Page 2)
– 0 (Assumption 1)
+ 20% (Assumption 2) of 208,800 (AS Page 3)
= \$258.6M

7. Learning Objectives:

3. The candidate will understand the different reporting standards for U.S. general insurance companies and use statutory financial statement information to measure insurer financial health.
4. The candidate will be able to use applicable standards of practice to carry out the responsibilities of a U.S. signing general insurance actuary as defined by regulators and the American Academy of Actuaries

Learning Outcomes:

- (3c) Complete and interpret NAIC Annual Statement pages/schedules (as referenced in the resources).
- (4a) Describe and apply the concept of materiality.
- (4b) Describe, interpret and apply the applicable U.S. Standards of Practice.
- (4c) Describe, interpret and apply the responsibilities of a signing actuary with respect to the U.S. Statement of Actuarial Opinion and the Actuarial Report.

Sources:

Materiality, Concepts on Professionalism, American Academy of Actuaries, Discussion Paper, 2006, No. 8

Actuarial Standards of Practice, Actuarial Standards Board of the American Academy of Actuaries, No. 36

Statements of Actuarial Opinion on Property and Casualty Reserves, American Academy of Actuaries Public Policy Practice Note, Casualty Practice Council's Committee on Property and Liability Financial Reporting (2024)

General Insurance Financial Reporting Topics, Society of Actuaries, 5th Edition, 2021

- Chapter 14 (The General Insurance Actuarial Opinion)

SOA Course GI 302 Case Study, March 2026

Commentary on Question:

This item tested a candidate's knowledge of issues with the Statement of Actuarial Opinion and Actuarial Standards of Practice. This item made use of information in the Case Study. The candidate's response was to be entered in Excel. Refer to the Excel solutions file for an example of a full credit solution. The solution for this item in this document is for informational purposes.

7. Continued

Solution:

- (a) Identify which of the critical points listed would be actionable by either the regulators or the ASB, providing a justification for your decision on each critical point.

Commentary on Question:

There are several ways to consider each of the critical points listed. The solution below is an example of a full credit solution. Note that the issues involved with II and III may be considered as similar enough that they could have been combined in response. The solution below takes this approach

I.

Considered on its own, it is not actionable by regulators or the ASB. A peer review is not generally required by regulators, and it is not required by any ASOP. However, its practice is highly recommended by NAIC regulatory guidance. Given the additional issues in II and III, regulators would likely request an independent peer review be completed.

II. & III

This is actionable by regulators and the ASB. While regulators are mainly concerned with net results, the gross (direct plus assumed) and ceded results should also be proper. ASOP 36 on the SAO makes it clear that the actuary must provide enough detail so that another actuary can follow and replicate the results. Because the gross and ceded amounts are stated, the work arriving at it should be presented. The fact that the gross and ceded amounts appear unreasonable makes both II & III critical matters.

IV.

This is actionable by regulators and may be actionable by the ASB but only regarding not describing the reinsurance in place. This reinsurance information is required in the Relevant Comments section as noted in the instructions for the SAO. However, increasing inflation is not a company specific condition so it need not be included in the SAO Relevant Comments

- (b) Verify the assertion in II that “Sue’s gross IBNR estimate is approximately equal to the net IBNR estimate.”

Commentary on Question:

To verify the assertion, one needed to compile the appropriate numbers to be able to verify the assertion. In attempting to verify this, one should note that the amounts are not approximately equal, so it is not verified.

7. Continued

There are two elements that would be required in a full credit solution:

1. Show actuarial amounts for total reserves and IBNR on a gross and net basis.
2. Note that Gross IBNR is 8.7M higher than Net IBNR. Therefore, the assertion is incorrect because they are not approximately equal

Refer to the solution in the Excel file.

- (c) Assess what should be changed in the *Opinion* section of the SAO (bottom of page 32 in the Case Study) given these assumptions.

Commentary on Question:

A full credit response was required to focus on changes in the Opinion section of the SAO.

There following should be included in a full credit response:

1. Indicate that the net results remains unchanged.
2. Revise the actuary's gross estimate to Net + 31.5M.
3. Revise the actuary's gross range and note that R-Dan's carried gross reserves are in the range.
4. Conclude that no changes are required.

Refer to the solution in the Excel file.

- (d) Derive the proper amounts for the table in the AOS (page 35 in the Case Study).

Commentary on Question:

Most of the numbers required to complete the table should have been calculated in part (c). Refer to the Excel solutions file for details.

Amounts in \$000s		Net Reserves			Gross Reserves		
		Low	Point	High	Low	Point	High
A	Actuary's range of estimates	283,600		350,600	314,500		384,500
B	Actuary's point estimate		318,000			349,500	
C	Company carried reserves		289,500			316,700	
D	Difference between company carried and actuary's estimate	5,900	-28,500	-61,100	2,200	-32,800	-67,800
	<i>Changes in green</i>						

8. Learning Objectives:

3. The candidate will understand the different reporting standards for U.S. general insurance companies and use statutory financial statement information to measure insurer financial health.

Learning Outcomes:

- (3c) Complete and interpret NAIC Annual Statement pages/schedules (as referenced in the resources).

Sources:

NAIC Annual Statement

General Insurance Financial Reporting Topics, Society of Actuaries, 5th Edition, 2021

- Chapter 6 (Schedule F, Statutory Credit for Reinsurance)

Commentary on Question:

This item tested a candidate's ability to perform calculations for the Schedule F provision. The candidate's response was to be entered in Excel. Refer to the Excel solutions file for an example of a full credit solution. The solution for this item in this document is for informational purposes.

Solution:

Calculate PCGI's Schedule F provision as of December 31, 2024, under each of the following scenarios.

- (i) F-Re is Unauthorized (not certified)
- (ii) F-Re is Authorized

Commentary on Question:

The solution in Excel is set up to complete the Schedule F calculation as presented in the Annual Statement noting the line numbers that are required to be calculated. This is not required to earn full credit. A full credit response was only required to complete the calculation for the result, not present it in the steps as shown in Schedule F.

The solution in the Excel file is color coded, so it is easy to follow. Cells without a fill color are supplied inputs. Amounts with color fill are calculated. Yellow applies to both (i) and (ii), blue applies to (i) only, light gold applies to (ii) only and green is for the final answer for both (i) and (ii).

9. Learning Objectives:

4. The candidate will be able to use applicable standards of practice to carry out the responsibilities of a U.S. signing general insurance actuary as defined by regulators and the American Academy of Actuaries

Learning Outcomes:

- (4a) Describe and apply the concept of materiality.
- (4b) Describe, interpret and apply the applicable U.S. Standards of Practice.
- (4c) Describe, interpret and apply the responsibilities of a signing actuary with respect to the U.S. Statement of Actuarial Opinion and the Actuarial Report.

Sources:

Materiality, Concepts on Professionalism, American Academy of Actuaries, Discussion Paper, 2006, No. 8

Actuarial Standards of Practice, Actuarial Standards Board of the American Academy of Actuaries, No. 1, 21, 23, 36, 41, 43

Statements of Actuarial Opinion on Property and Casualty Reserves, American Academy of Actuaries Public Policy Practice Note, Casualty Practice Council's Committee on Property and Liability Financial Reporting (2024)

General Insurance Financial Reporting Topics, Society of Actuaries, 5th Edition, 2021

- Chapter 7 (Schedule P, Statutory Loss Accounting)
- Chapter 14 (The General Insurance Actuarial Opinion)

Commentary on Question:

This item tested a candidate's knowledge of issues with the Statement of Actuarial Opinion and Actuarial Standards of Practice.

Solution:

- (a) Evaluate Astrid's responsibilities regarding the SAO in this situation considering any applicable Actuarial Standards of Practice (ASOPs) and the American Academy of Actuaries practice note (AAA PN) on *Statements of Actuarial Opinion on Property and Casualty Loss Reserves*.

Commentary on Question:

There are many different discussion considerations that can be made for this evaluation. The solution below does not discuss all these considerations but is an example of a full credit solution.

9. Continued

The standard of materiality selected by the Appointed Actuary (AA) is the standard that applies to the SAO. As such, these discrepancies are material and the AA needs to address them.

Based upon ASOP 21, the AA should have a discussion with the auditor outlining why this discrepancy is an issue affecting the SAO. The AA should tell the auditor that because the discrepancy involves calendar year 2024 paid loss & LAE for liability lines, the discrepancy is likely even larger since estimating IBNR involves factor selection for development methods or coefficients from stochastic methods which are then applied to the data. It's possible that this difference could then exceed the auditor's materiality standard.

ASOP 23 deals with data quality. The actuary is to use professional judgement of whether the use of the data is appropriate when there is an unresolved data discrepancy. If no satisfactory explanations are provided for data, the AA should seek an alternative source of data or use the data with disclosures recognizing the additional risk from the data deficiencies.

The AA could qualify the opinion to exclude liability lines but this would only be done if these lines represent a small share of the insurance company's business. Otherwise, the AA should state that no opinion could be rendered due to data deficiencies.

- (b) BDF's booked reserves are slightly below (less than 0.5%) the low end of Astrid's selected range of reasonability. Their auditor proposes that Astrid should produce the SAO with a reasonable opinion by making the range of reasonable reserves larger to account for the variability from data issues. The auditor notes that SAO could include a disclosure of the data issue. The booked reserves would then be in the range of reasonability under this proposal.

Evaluate how Astrid should respond to this proposal.

Commentary on Question:

There are many different discussion considerations that can be made for this evaluation. The solution below does not discuss all these considerations but is an example of a full credit solution.

9. Continued

The AA is required to select a range of reasonability that they believe to be appropriate. The auditor's proposal may seem logical. However, the range of reasonability should not change due to a material data discrepancy for the purpose of providing a reasonable opinion.

Providing a reasonable opinion with an unresolved data discrepancy and booked reserves below the actuary's range is not indicated by any facts. This would not be good actuarial practice and expose the actuary to violations of ASOPs and the professional code of conduct.

The actuary should respond to BDF and the auditor with these facts and not change the range of reasonability.

10. Learning Objectives:

4. The candidate will be able to use applicable standards of practice to carry out the responsibilities of a U.S. signing general insurance actuary as defined by regulators and the American Academy of Actuaries

Learning Outcomes:

- (4c) Describe, interpret and apply the responsibilities of a signing actuary with respect to the U.S. Statement of Actuarial Opinion and the Actuarial Report.

Sources:

Statements of Actuarial Opinion on Property and Casualty Reserves, American Academy of Actuaries Public Policy Practice Note, Casualty Practice Council's Committee on Property and Liability Financial Reporting (2024)

General Insurance Financial Reporting Topics, Society of Actuaries, 5th Edition, 2021

- Chapter 14 (The General Insurance Actuarial Opinion)

Commentary on Question:

This item tested a candidate's knowledge of several aspects of the SAO/AOS and the actuarial report supporting them.

Solution:

- (a) Identify the following regarding the *Other Disclosures in Exhibit B* commentary:
 - (i) Three of the specified topics that must be addressed
 - (ii) Three other topics that could be addressed

Commentary on Question:

There are more than three specified topics that must be addressed. There are many topics that are not specified and could be addressed. The model solution is an example of a full credit solution.

- (i)
 - Anticipated salvage and subrogation
 - Discounting
 - Asbestos and Environmental liabilities
- (ii)
 - Risk margins included in discounted reserves
 - Salvage and subrogation recoverable from counterparties
 - Reserves for catastrophe losses

10. Continued

- (b) The SAO does not include the actuary's estimate of reserves nor the range of reasonability for reserves.

Explain why these are not included in the SAO.

Commentary on Question:

The model solution is an example of a full credit solution.

The actuary's reserve estimates and range of reasonability are considered proprietary information. They are not included in the SAO because the SAO is a public document.

With the actuary's estimate or range included in the SAO, the public may infer the strength of reserves by how the booked reserves compare to the actuary's estimate or where it lies in the range. This is not the purpose of the SAO.

The actuary's reserve estimates and ranges are shown in the confidential AOS that is available to insurance regulators.

- (c) Identify a reason that the Actuarial Report is to include a section titled *Extended Comments*.

Commentary on Question:

There are several different reasons. The model solution is an example of a full credit solution.

Expanded discussion on unusual values for IRIS reserve tests.

11. Learning Objectives:

3. The candidate will understand the different reporting standards for U.S. general insurance companies and use statutory financial statement information to measure insurer financial health.

Learning Outcomes:

- (3b) Describe the elements of the NAIC Annual Statement.

Sources:

Risk Transfer Practice Note, Developed by the Committee on Property and Liability Financial Reporting of the American Academy of Actuaries, 2022

Commentary on Question:

This item tested the candidate's understanding of the Reinsurance Attestation Supplement to the Annual Statement.

Solution:

- (a) State the correct wording within the boxes to complete each of the following statements regarding the RAS:
 - (i) The RAS is filed as a supplement to the .
 - (ii) The RAS is attested by the for the company and applies to the company's ceded reinsurance contracts.
 - (iii) Documentation for the RAS is required to be kept by management for all ceded reinsurance contracts in which .
 - (iv) The purpose of the RAS documentation is to show for the contracts identified in part (iii) above.
 - (i) statutory annual statement
 - (ii) the CEO and CFO
 - (iii) risk transfer is not reasonably self-evident
 - (iv) the amount of risk transfer
- (b) Documentation for the RAS should include several items to support the determination of risk transfer.

Identify three of these items.

11. Continued

Commentary on Question:

There are more than three items, The model solution is an example of a full credit solution.

- Treaty year experience exhibits with losses
- Policy profiles that show the number of risks exposed in the treaty,
- Factors applied to the data for analyzing risk transfer (e.g., trends)